

APPROPRIATION (CONSOLIDATED FUND) BILL (NO. 6) 2006

Committee

The Deputy Chairman of Committees (Hon Ken Travers) in the chair; Hon Kate Doust (Parliamentary Secretary) in charge of the bill.

Clauses 1 to 3 put and passed.

Schedule 1: Consolidated Fund for the Year Ended 30 June 2006 -

Hon GEORGE CASH: We are dealing with the Appropriation (Consolidated Fund) Bill (No. 6) 2006. Clause 3 of the bill indicates that an amount of \$84 972 000 is being sought for payments of an extraordinary or unforeseen nature. The meaning of that term has been discussed in the Parliament on a number of occasions in the past. With respect to schedule 1, the note indicates that under “Department of Treasury and Finance” an amount of \$20 250 000 is sought. One item under the heading “Western Australian Land Authority” indicates that an additional \$20 million was required during 2005-06 for the installation of common user infrastructure at the Australian Marine Complex in Henderson. The note also indicates that the AMC project includes a floating dock, a rail transfer system, and an extension and upgrade to existing wharves to expand Western Australia’s capacity to meet marine repair, maintenance and construction requirements. My question relates to the words “extraordinary or unforeseen nature” in clause 3 of the bill. Why was that \$20 million not recognised prior to the request for supplementary funding? I ask that question on the basis that \$20 million is a considerable amount of money. The expenditure of that sort of money would require significant pre-planning. I do not understand why it was not included in the previous budget.

Hon KATE DOUST: Before I respond, I seek leave to table the explanatory notes that have been provided to members. The paper is headed “Appropriation (Consolidated Fund) Bill (No. 6) 2006 - Details of Capital Expenditure Excesses and New Items for the 2005/06 Financial Year”.

Leave granted. [See paper 2744.]

Hon KATE DOUST: In response to Hon George Cash, I understand that a decision was made in the year following the budget to provide facilities that would allow for the maintenance service to be provided for defence shipping. I refer to ships and submarines etc.

Hon GEORGE CASH: Did the parliamentary secretary say that a decision was made in the following budget?

Hon KATE DOUST: No, after the budget.

Hon GEORGE CASH: After the budget?

Hon KATE DOUST: After the tabling of the budget.

Hon GEORGE CASH: Can the parliamentary secretary indicate whether the \$20 million was expended for those general items during the 2005-06 period?

Hon KATE DOUST: The \$20 million was appropriated. However, I understand that it was not spent.

Hon GEORGE CASH: Can the parliamentary secretary indicate why there was a need to appropriate the money if there was never any intention to spend it during 2005-06?

Hon KATE DOUST: I understand that there was a plan to spend the \$20 million in that period. However, it did not meet the time frames, so the money was not spent.

Hon GEORGE CASH: Can the parliamentary secretary provide in due course a statement that shows the date on which the \$20 million was provided by way of supplementary funding and the amount to date that has been spent out of that \$20 million, because it seems to me that this is a classic way of producing a budget surplus? The fund is debited with \$20 million but because the money is not spent, it is rolled over. If there was an intention to spend, I cannot understand how \$20 million could be appropriated and not spent. There must have been considerable pre-planning before the figure of \$20 million was arrived at. There must have been some understanding of whether contracts would be let during the 2005-06 period that would require payment during 2005-06. On the information provided, one cannot follow the course of the \$20 million.

Hon KATE DOUST: I will provide that information to Hon George Cash.

Hon GEORGE CASH: Page 3 refers to \$5.430 million being allocated to the Western Australia Police for supplementary capital expenditure. The first item is “Improved Counter Terrorism and Emergency Response Capability”, for which there is an amount of \$5.433 million. The notation indicates that the supplementation of \$5.4 million was provided to improve the state’s capability to deal with counter-terrorism and emergencies. Can the parliamentary secretary indicate the nature of the items that are included in the capital expenditure? I ask

that because, as the parliamentary secretary will recall, on page 23 of the details of the supplementary recurrent fund there was an amount of \$2.997 million provided for expensed capital works. We discussed at that time the government's policy regarding the capital works expensed comprising of items up to \$5 000. I am very interested to know what the \$5.4 million of the capital amount is made up of.

Hon KATE DOUST: We will find out the information for the member.

Hon GEORGE CASH: On page 6 under "Western Australian Planning Commission" is an amount of \$2.5 million sought by way of supplementary capital funding. Under the regional land acquisition program, it is suggested that there is a need to settle several compensation claims in respect of its regional land acquisition program resulting from negotiation and an adverse arbitration decision. Can the parliamentary secretary indicate the nature of the adverse arbitration decision that is included in this \$2.5 million?

Hon KATE DOUST: I do not have that information and will have to obtain it from the minister.

Hon MURRAY CRIDDLE: For some time I have been unable to get to the bottom of the total expenditure on capital works by this government. It was \$4 billion in the previous financial year and it is \$5.8 billion in the current budget that has just been announced. I notice on page 5 that nearly \$10 million has been allocated for the new Perth-Bunbury highway. On 12 December 2005, additional funding of \$89 million was approved for the Perth-Bunbury highway. I presume that was an escalation. There is also a cost escalation of \$5.446 million. It is very difficult to identify the flow of money anywhere in the budget. It seems that all these roads have received extra funding but that we do not know what the total cost will be. As a result, we do not know what the total capital expenditure will be for any project. I asked the Treasurer for the information, but he did not want to give it to me and said that each minister would give me an outline of it. Thank goodness last year the Minister for Fisheries gave me a clear indication of what he was expending in his budget, and I think Hon Kim Chance give me that information as well. However, we cannot find out that information. I want to know the bottom line cost for the Perth-Bunbury highway. I asked a question about it today and received some figures but the cost seems to blow out regularly. That has happened for every infrastructure project this government has carried out, as far as I can identify, including the railway line and just about everything else. A contract is let and we end up having to find another extra amount of 10 or 15 per cent more of capital funding to complete the project. I wonder how we can clearly understand what will be the cost of the Perth-Bunbury highway.

Hon KATE DOUST: I am advised that the total estimated cost of the project for the Perth-Bunbury highway as set out in the 2007-08 budget is \$631 million.

Hon MURRAY CRIDDLE: The point I want to make is that three or four years ago it was \$290 million but it is now \$631 million. The same thing has been put to me concerning the Cervantes-Lancelin road. Its cost was \$34 million completed when we were about to build it. It has been put to me that its cost is now about \$150 million. That has happened over only five to six years. I wonder whether we can let a contract that we are close to sticking to.

Hon SIMON O'BRIEN: I will comment on this item of expenditure as well. As the parliamentary secretary has just told us, the current proposal is to spend \$631 million on the new Perth-Bunbury highway. On another occasion I look forward to talking with the relevant representative member and advisers about the time frame that money will be spent over because it seems to be quite a movable feast. Hon Murray Criddle said that he remembered it being costed at \$290 million.

Hon Kate Doust: The original figure was \$340 million but it did not include the escalation of costs of construction. An amount of \$170 million of that figure was federal money.

Hon SIMON O'BRIEN: Yes, it is quite an extraordinary extra impost on the state. The additional funding we are dealing with here is \$89 million, which is a staggering sum of money. If a person says it quickly in the context of \$631 million, it is not quite as bad. Nevertheless, \$89 million is a staggering sum of money to come up as supplementary funding.

Hon Murray Criddle: That is in one year.

Hon SIMON O'BRIEN: Yes. I wanted to pick up on which year it is coming up in. The \$170 million -

Hon Kate Doust: Did you say that the \$89 million was over one year?

Hon Murray Criddle: No, that was the escalation in one year.

Hon SIMON O'BRIEN: I want to touch on the \$89 million, which is over a series of years. For this one year it is \$9.895 million. Right now we are talking about the funding of \$9.895 million; it is for funding required in the 2005-06 year. The new Perth-Bunbury highway will receive funding from the federal government. From memory, the initial offer from the federal government was \$150 million. Also, if my memory serves me correctly, there was an extra \$20 million - to take it up to \$170 million - made conditional on the project starting before the end of calendar year 2006. Somehow I think that deadline was met. Someone got out with a shovel at

about 10.00 pm on New Year's Eve and said, "Righto, that's the start of that." That being the case, that is well after 2005-06. As such, what is the extra \$9.895 million for? Is it for land acquisition; because it is certainly not for road works?

Hon KATE DOUST: I understand this amount of money is required for planning and land acquisition.

Hon MURRAY CRIDDLE: The point I want to make is that if there is an \$89 million escalation in the projected price in one year, which is about 20 per cent, in the budget and the government is saying it is putting all this infrastructure in place at a cost of \$4 billion - it is \$5.8 billion this year - we are not getting any more infrastructure and we are not getting on with the job. I want to know the following from my questions to the Treasurer, not the parliamentary secretary: when will we start getting on with the job; otherwise, those of us who want our infrastructure built will never get it because of the cost escalation? It will put it out of reach.

Hon KATE DOUST: I am not too sure what Hon Murray Criddle wants me to do other than pass his concerns back to the Treasurer and get a response. The only thing I can say is that the agencies involved are doing their utmost to try to ensure this infrastructure is delivered in an appropriate time.

Hon GEORGE CASH: In respect of the \$9.895 million that is sought for the new Perth-Bunbury highway, can the parliamentary secretary find out whether that amount of money was spent during 2005-06 and provide some information in due course? She said it was for planning and land acquisition. It would be interesting to know whether the moneys being sought are actually being expended or whether they are being rolled over, for one reason or another, into the future.

Hon KATE DOUST: We will get that information and provide it to Hon George Cash.

Hon GEORGE CASH: I refer to page 8 of the notes concerning the Department of Corrective Services and the figure of \$2.595 million. The item notation indicates it is for escalation in the Karnet and Wooroloo contracts. It goes on to say the Department of Corrective Services received supplementary capital funding approved in respect of the Karnet and Wooroloo minimum security perimeter fencing contracts. That almost \$2.6 million is an escalation. How much was the original contract and what was the nature of the escalation? I could almost ask how it could have gone so wrong for someone to be \$2.6 million out in respect of the cost of fencing.

The DEPUTY CHAIRMAN (Hon Ken Travers): The parliamentary secretary needs to be heard over the din. I am sure members will ensure the background noise does not continue.

Hon KATE DOUST: I am advised that the original amount was possibly around \$7 million, but I will confirm that and also provide the additional information the honourable member requires.

Hon GEORGE CASH: This is the last item I want to raise. I am still referring to the perimeter fence. If the original cost was \$7 million and there was a contract in place for that amount, what changed in respect of the contractual obligations of both parties for an additional amount of \$2.6 million to be necessary? The parliamentary secretary does not have that advice to hand, but it looks like about a 40 per cent increase in cost and I think it needs some explanation. I would not have thought it would be the terrain, for instance, because one would assume that when the original contract was written, the contractor went and investigated the potential costs involved. Surely it could not have been the price of steel that went up. This is only a limited fence; these are minimum-security areas. I would appreciate the parliamentary secretary providing as much information as possible because it seems to be an extraordinarily high escalation amount for a fence.

Hon KATE DOUST: Hon George Cash is correct - I do not have that information available, but we will seek the information from the relevant minister and provide it to him.

Schedule put and passed.

Title put and passed.